



Memorandum

TO: HONORABLE CITY COUNCIL

FROM: Mayor Chuck Reed
Vice Mayor Madison Nguyen
Councilmember Sam Liccardo
Councilmember Don Rocha
Councilmember Johnny Khamis

SUBJECT: SEE BELOW

DATE: February 7, 2014

Approved Chuck Reed Date 2/6/14
Sam Liccardo (P.P.) Don Rocha Madison Nguyen (V.M.)

SUBJECT: APPROVAL OF A LIST OF ENERGY AND UTILITY CONSERVATION MEASURES FOR IMPLEMENTATION AND APPROVAL OF AN ENERGY SERVICES AGREEMENT WITH CHEVRON ENERGY SOLUTIONS TO IMPLEMENT THE CONSERVATION MEASURES

RECOMMENDATION

Approve staff recommendation with the following changes:

1. Put packages 1A and 1B back into a single package and deliver the projects together in time to secure the 2014 PG&E rebates and reduce project delivery costs.
2. Purchase the guarantee offered by Chevron to ensure that we get the energy savings as projected.

BACKGROUND

Staff has identified the risk of not achieving energy savings as projected as a key factor to be concerned about. Chevron has offered to assume that risk by taking responsibility for maintenance and guaranteeing energy savings performance. That guarantee comes at a cost, but the program still makes economic sense when the fee is added to the other costs. With the energy savings performance guarantee in place, the downside risk of performance to us is

minimized, and we can avoid the risk of rising interest rates and losing rebates. We can move ahead quickly and get a wider installation of LED street lights.

In 2012 council approved the ESCO model and directed staff to select a partner with experience to identify energy efficiency and generation projects throughout the city that could pay for themselves with rebates and lower energy usage. Council also directed staff to work with the partner to use the savings to replace streetlights throughout the city.

Chevron Energy Solutions was selected through our competitive process. Chevron performed an investment grade audit on city facilities and produced a package of projects that, taken together as a whole, will generate cost savings and rebates through energy production and efficiencies to pay for those improvements and allow the city to replace 15,000 streetlights in Package 1. Additional packages have been identified that will allow the city to replace all of our streetlights with Smart LED lights. Proceeding with a single Package 1 will allow staff and Chevron to develop additional packages to replace all streetlights citywide and further lower energy use.

Packages 1A and 1B were designed to be taken as a whole, allowing measures with longer pay back times to be combined with measures with short pay back times to reduce overall costs, and with the energy savings guaranteed by Chevron, allow the city to upgrade facilities, reduce energy consumption, reduce water consumption, generate power, and replace all our streetlights with Smart LED lights while returning savings to the general fund.

Timing is critical to ensure the success of these packages. PG&E rebates change from year to year. The rebates for 2014 are known and have been built into the projects in Package 1. If we miss the schedule and lose 2014 rebates we could jeopardize projects and or streetlights should PG&E reduce their 2015 rebate program. Putting Package 1A and 1B back into a single package will expedite the schedule allowing the city to also benefit from current low interest rates and economies of scale.

The Green Vision was developed in 2007 as a tool to not only showcase San José's leadership in environmental issues but to also demonstrate to other cities, businesses, and our residents how to improve their homes and facilities, create local jobs, grow local businesses, and reduce our overall carbon footprint. In 2008 using federal ARRA funds we were able to kick start our effort, by partnering with Chevron to develop this ESCO model, we can continue that work.